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ABSTRACT

This brief updates an overview of welfare benefits and services in Texas in 1997, when House Bill 1863 and the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 first went into effect. Since 1997, Texas and 12 other states from the Assessing the New Federalism study have implemented many changes in social safety net services. This brief highlights Temporary Assistance for Needy Family (TANF) benefits and employment services, workforce development, child care, and child welfare. It presents a demographic, economic, and political overview of the state, describing its safety net structure and summarizing changes in caseloads since 1997. It examines changes in the TANF/workforce development, child care, and child welfare systems. Texas remains a low-benefit state with the highest rate of children without health insurance and nearly the lowest TANF and Medicaid benefit, eligibility, and coverage level among the states studied. Texas is ahead in implementing provisions of the Workforce Investment Act. Child care coverage has increased since 1997. Child welfare remains a state-administered system. The devolution of workforce development and child care programs to local workforce development boards has created

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large variation in service availability, quality, and efficiency statewide. (Contains 28 endnotes.) (SM)

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New Federalism
National Survey of America's Families

THE URBAN INSTITUTE

An Urban Institute Program to Assess Changing Social Policies

State Update No. 1, June 2001

Recent Changes in Texas Welfare and Work, Child Care, and Child Welfare Systems

Randy Capps, Nancy Pindus, Kathleen Snyder, and Jacob Leos-Urbel

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The Texas experiment highlights both the benefits and the risks of placing responsibility on the shoulders of local communities.

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Introduction

Texas was one of the first states to reform its welfare system. In 1995, the Texas legislature passed landmark legislation (House Bill 1863) in advance of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). HB 1863 established time limits and requirements that welfare recipients work and sign a Personal Responsibility Agreement. HB 1863 also laid the foundation for the current Texas welfare, workforce development, and child care systems.

The changes legislated in HB 1863 and implemented over the past five years are in keeping with three overriding philosophies in Texas government: (1) local control; (2) smaller, more efficient government; and (3) an emphasis on work and individual responsibility. To meet these goals, Texas has devolved to the local level management of more programs than most other states—including Temporary Assistance for Needy Families (TANF) employment, other workforce development, and child care. Although operation of employment programs was devolved to local workforce development boards in order to increase employer involvement, welfare reform and TANF employment remain top priorities. Texas has not devolved TANF eligibility determination, benefits disbursement, or sanctions imposition, all of which remain centrally administered through the Texas Department of Human Services (TDHS). A strong Work First message and time limits as short as one year (for the most highly educated and job ready) have motivated many benefit applicants and recipients to seek employment. Caseloads in the TANF and Food Stamps Program (FSP) have dropped substantially since 1996, and as a result, Texas has reaped a significant windfall in its TANF block grant. The 1999 legislature allocated a large part of this windfall to enhance child welfare funding.

TDHS automated systems have supported implementation of aggressive antifraud measures and have streamlined parts of the application and ongoing eligibility processes. The focus on fraud reduction has also added barriers for people applying for benefits. Further advances in automation are being planned, involving replacement of outdated computer hardware and database software. Despite automation, Texas remains, in the era of welfare reform, one of the states with the lowest coverage rates, benefit levels, and program budgets for TANF and many of the social services considered in this case study.

This brief updates "Income Support and Social Services for Low-Income People in Texas," an overview of benefits and services in the state in 1997, when HB 1863 and PRWORA first went into effect. Since 1997, Texas and the other 12 states in the *Assessing the New Federalism* study have implemented many changes across the spectrum of social safety net services. This brief concentrates on a handful of these services: TANF benefits and employment services, workforce development, child

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care, and child welfare. It begins with a demographic, economic, and political overview of the state, a description of its safety net structure, and a summary of changes in caseloads since 1997. The following three sections delve into the details of changes in the TANF/workforce development, child care, and child welfare systems. Conclusions about changes in these three social welfare policy areas are offered at the end.

Urban Institute researchers have monitored policy and program developments in Texas since the first report was written in 1997. Study teams visited two Texas metropolitan areas—El Paso and Houston—in late 1999 and early 2000. During these visits, team members interviewed staff responsible for TANF, workforce development, child care, and child welfare program administration and delivery. These interviews were conducted with staff from the state level down to frontline workers at field offices. Discussions with policy advocates and focus groups with TANF recipients and low-income nonrecipient parents about child care were used to supplement information gathered from agency staff interviews. In addition, telephone interviews were conducted with child welfare administrators in four counties.[1]

Social and Political Context

Social and Economic Conditions

Texas is the second most populous state after California, with a population of about 20 million in 1999 and a growth rate almost double the national average during the 1990s (table 1). Nearly a third of the state's population are Latinos (i.e., Hispanic) and almost 9 percent are immigrants who have not yet become citizens. Much of the state's Latino immigrant population is concentrated in metropolitan areas along the Mexican border; the study site of El Paso is the largest of these border cities. Percentages of births to unmarried women in Texas, whether limited to 15- to 19-year-olds or encompassing all such births to women of childbearing age, are similar to those in the nation as a whole. But the state has a higher overall birth rate and a much higher teen birth rate, and hence a younger than average population. The Latino population—especially the portion composed of recent immigrants—tends to be younger, with higher birth rates, than the rest of the state.

Economic indicators in table 1 show employment rates and industrial sector shares near national averages. Yet poverty rates are higher for Texas than for the United States (16 percent versus 11 percent for adults, and 23 percent versus 18 percent for children). Moreover, poverty rates tend to be higher in the state's Latino immigrant communities, especially those along the Mexico border.

The structure of Texas state government is such that the governor has a constitutionally weak role, and the governor's party affiliation is not as important as in some other states. In 1999, Republicans held a one-vote majority in the Texas Senate, while Democrats controlled the House by six seats. Throughout the late 1990s, a similar rough balance between the parties encouraged the Republican governor to work with legislators of both parties to accomplish policy goals. HB 1863, like most other major pieces of legislation, had broad bipartisan support.

The Texas Social Safety Net

Texas has a philosophy of minimal government, reflected in a state constitutional provision limiting welfare expenditures to 1 percent of the state's budget. Among the 13 *Assessing the New Federalism* focal states, Texas had the lowest share of its state general fund devoted to Aid to Families with Dependent Children (AFDC, the precursor to TANF) in 1996: 0.8 percent.[2] This low level of state funding for AFDC led to a relatively low amount required under PRWORA for maintenance of effort. In 1998, Texas ranked 50th in total state government spending per capita ($2,584).[3] Among all 50 states, Texas is the most populous state with no personal income tax. Texas has the highest share of children lacking health insurance (23 percent in 1999) among the 13 focal states of the *Assessing the New Federalism* project; Texas's rate is almost twice as high as the national rate (table 2). Texas has no state general relief program, and in 2000 its TANF benefit level was the fifth lowest

TABLE 1. Texas State Characteristics, 1999

	Texas	United States
Population Characteristics		
Population (1999)[a] (in thousands)	20,044	272,690
Percent under age 18 (1999)[b]	28.5%	25.7%
Percent Hispanic (1999)[c]	30.2%	11.5%
Percent Black (1999)[d]	12.3%	12.8%
Percent noncitizen immigrant (1998)[e]	8.6%	6.3%
Percent nonmetropolitan (1996)[f]	15.8%	20.1%
Percent change in population (1990–1999)[g]	18.0%	9.6%
Percent births to unmarried women age 15–44 (1998)[h]	31.5%	32.8%
Percent births to unmarried teens age 15–19 (1997)[i]	10.6%	9.7%
Birth rates (births per 1,000) females age 15–44 (1998)[h]	17.3	14.6
Birth rates (births per 1,000) females age 15–19 (1998)[h]	70.9	51.1
State Economic Characteristics		
Per capita income (1999)[j]	$26,858	$28,542
Percent change per capita income (1995–1999)[j]	14.1%	10.8%
Unemployment rate (1999)[k]	4.6%	4.2%
Employment rate (1999)[l]	79.9%	81.5%
Percent jobs in manufacturing (1998)[m]	12.3%	14.8%
Percent jobs in service sector (1998)[m]	28.2%	29.9%
Percent jobs in public sector (1998)[m]	16.9%	15.8%
Family Profile		
Percent children living in two-parent families (1999)[n]	61.3%	63.6%
Percent children living in one-parent families (1999)[n]	25.0%	24.8%
Percent children in poverty (1998)[o*]	23.2%	17.5%
Percent change in child poverty rate (1996–1998)[o*]	-9.0%	-15.0%
Percent adults in poverty (1998)[o*]	15.6%	11.2%
Percent change in adult poverty rate (1996–1998)[o*]	-3.1%	-10.4%
Political		
Governor's affiliation (1999)[p]	Republican	
Party composition of Senate (1999)[q]	15D–16R	
Party composition of House (1999)[q]	78D–72R	

*1998 National adult, national child, and state poverty estimates show statistically significant decreases from the 1996 estimates at the 0.10 confidence level, as calculated by the *Assessing the New Federalism project*, the Urban Institute.

Table notes begin on page 21.

TABLE 2. *The Safety Net in Texas, in National Context*

	Texas	United States
Welfare Benefits—Maximum Monthly Benefit (Family of Three, No Income)		
1996 (AFDC)[a]	$188	Median: $415
1998 (TANF)[a]	$188	Median: $421
2000 (TANF)[a]	$201	Median: $421
Ratio of Children Receiving Welfare to All Poor Children		
1996 (AFDC)[b]	33.7%	59.3%
1998 (TANF)[b]	20.7%	49.9%
Percentage of All Children without Health Insurance		
1997[a]	22.0%	12.2%
1999[a]	23.0%	12.5%
Income Cutoff for Children's Eligibility for Medicaid/Children's Health Insurance Program (Percentage of Federal Poverty Level)		
1996[d,e]	91.3%	123.8%
1998[d]	113.2%	178.4%
2000[d,e]	200.0%	205.1%
Income Cutoff for Children's Eligibility for Child Care Subsidy (Percentage of State Median Income/Federal Poverty Level)		
1998 (January)[b]	54%/150%	57%/182%
1999 (June)[b]	53%/150%	59%/178%

AFDC = Aid to Families with Dependent Children
TANF = Temporary Assistance for Needy Families
Table notes begin on page 22.

in the United States (above only Louisiana, Tennessee, Mississippi, and Alabama).[4] Of the 13 states in this study, Texas ranked lower than any other state except Alabama in terms of the ratio of children receiving welfare to all poor children, a rough measure of welfare coverage. In 1998, TANF coverage of poor children in Texas was 21 percent, less than half the national average of nearly 50 percent. Moreover, from 1996 to 1998, TANF coverage dropped faster in Texas than in the nation overall (13 percent versus 10 percent). Although the 1999 Texas legislature authorized the first increase in the TANF monthly grant in 14 years, this increase pegged the monthly grant to only 17 percent of the federal poverty level (FPL), or $201 for a family of three.[5] Child care eligibility rules differ across the state, but because 13 of the 28 regions—including many metropolitan areas—have kept their eligibility cutoffs at the old state levels, many Texans are subject to eligibility set at 150 percent of FPL, or 53 percent of the state median income.

Caseloads

Welfare reform, as guided by HB 1863, has greatly reduced the welfare rolls. In February 1997, for example, there were 204,168 TANF cases statewide, but by May 2000 the total had fallen 44 percent, to 115,213. In the Houston region, cases fell 57 percent, from 40,592 to 17,477. The El Paso region's caseload dropped a more modest 41 percent, from 13,566 to 8,060. Over a similar time frame (January 1997 to December 1999), TANF cases dropped 43 percent across the United States, slightly more than in El Paso but substantially less than

in Houston. Differences in state and national figures for Food Stamp Program participation are greater: The number of households receiving food stamps fell 31 percent (from 751,094 to 514,786) in Texas but only 19 percent in the United States during fiscal years 1997–99.[6] The large decline in households receiving food stamps is of special concern because food stamps are the major social welfare benefit in Texas, where the TANF monthly grant is relatively low and there is no statewide cash general assistance. There is also a substantial waiting list for subsidized child care, mostly for non-TANF children: The list totaled 26,642 children in October 1999.

Although investigations of abuse and neglect by child welfare workers have increased recently, placements in foster care have decreased. In 1998, Texas investigated allegations of abuse and neglect involving 172,718 children, a 14 percent increase since 1996. At the end of 1998, 10,818 children in Texas were in foster care, an 8 percent decrease since 1996.

Welfare and Work

HB 1863 began welfare reform in Texas, and devolved responsibility for TANF employment (now called Choices), workforce development, and child care programs to Local Workforce Development Boards (LWDBs). Because HB 1863 anticipated the federal Workforce Investment Act (WIA) of 2000 by four years, the state is relatively far along in its process of devolving these programs to LWDBs and contractors. Despite the devolution of other parts of its social welfare safety net, Texas continues to operate a centralized, state-operated eligibility system (called "Texas Works"), with minor variations among regions, for the three major benefit programs: TANF, FSP, and Medicaid.

Texas Works and Choices Policy and Program Emphasis

The state legislature made key decisions on welfare time limits, countable work activities, sanctions, and exemptions in its 1995 welfare reform legislation. The policies set forth in HB 1863 emphasize job readiness, search, and placement services—with referrals for education and training coming later in the process. In 1996, Texas obtained a waiver from certain PRWORA provisions in order to maintain the system established by HB 1863, and that waiver does not expire until March 2002. There have been few major changes in state welfare policy since HB 1863, other than a new one-time lump sum benefit, an increase in the amount of earnings disregarded when calculating continuing eligibility, and a slight increase in the basic grant. All of these changes came as part of the 1999 state legislature's spending bill for fiscal year (FY) 2000–01. In addition, to implement the federal five-year lifetime limit in Texas, inconsistencies between the state waiver and federal regulations were eliminated in fall 1999.

Eligibility. Both income eligibility and participation in an orientation session are required of Choices applicants before they are certified as TANF participants. Texas operates a limited formal diversion program, in addition to more widespread "informal" diversion in which caseworkers strive to get applicants to consider finding a job instead of applying for benefits. Applicants may choose a $1,000 lump sum payment in lieu of monthly benefits, but few do so, according to eligibility workers. In addition, grandparent caretakers may apply for a one-time benefit of $1,000 supplemental to their basic grant, and this new program has been quite popular.[7]

Children may continue receiving benefits up to the five-year federal limit, even if their parents may no longer receive support. In addition, the family is eligible for transitional Medicaid and child care. Under federal law, families retain eligibility for food stamps as well, provided their gross income remains below 130 percent of FPL, the income limit for the FSP. Integration of TANF, FSP, and Medicaid eligibility in the state's database, which automatically recalculates income levels versus eligibility thresholds, has made transitions among these three programs relatively smooth. However, once enrolled, as many as 40 percent of children have been dropped from Medicaid within a year. Moreover, use of food stamps in Texas fell 44 percent between 1996 and 2000.[8] A recent Texas Senate Human

Services Committee report highlighted both of these figures as evidence that eligibility procedures may be forcing some eligible children off food stamps and Medicaid.[9] For example, there is considerable discretion at the local level in setting the length of certification periods for food stamps, and the need for frequent recertification (sometimes as often as monthly) may discourage participation in the FSP.

Parents leaving TANF generally receive transitional child care, but only if they know about it and contact the local Child Care Management Services agency to obtain it. Therefore, the transition is not automatic and often not seamless. In addition, parents may not always know what type of child care they are eligible for during the transition off of TANF.

Time Limits. Texas time limits were set by HB 1863 in 1995 and have not changed significantly since then. Starting in January 1997, TANF caretakers participating in Choices have been subject to 12-, 24-, and 36-month limits, depending on their schooling and recent work experience. Of the 13 states in this study, Texas is the only one with this tiered system of time limits. The 12-month tier is the lowest time limit in any state, though Florida and Massachusetts also have 24-month limits. Texas and two other states (Florida and Massachusetts) had placed some portion of their caseloads on time limits that ended before 2000.[10] Although most recipients in the Texas 12- and 24-month groups were able to find jobs, by summer 2000 several thousand recipients had been forced off the rolls by the state time limits.[11]

Caretakers and children are now also subject to the federal five-year time limit. Originally, it was assumed under the Texas waiver that this would not be the case, but in a fall 1999 interpretation the governor determined otherwise. A great deal of confusion has existed about whether and when the federal limit takes effect. As a result, not all recipients had been adequately informed about it by the time of the interviews for this case study in spring 2000. Texas has no provisions in place to extend benefits for those who reach the federal five-year limit, especially children, and it appeared likely that the 2001 session of the state legislature would address this issue.

Sanctions. Sanctions for noncompliance with work requirements are imposed swiftly and frequently in both Houston and El Paso. Though some other states have used the flexibility of TANF to impose full-family sanction policies, in Texas the penalty for failure to participate in the Choices program affects only the caretaker's portion of the total grant. Work noncompliance penalties amount to a maximum of $78 monthly for a single parent and $125 for a two-parent case. Sanctions are imposed for a minimum of one month the first time, three months the second, and six months the third. Choices case managers at career centers send clients warning notices before they forward sanctions requests to Texas Works eligibility workers, and then the eligibility workers send notices to clients after the sanctions are imposed. Sanctions are initiated easily because of the automatic communication between the Texas Works eligibility and Choices program databases. But once imposed, the sanctions are difficult to lift if a sanctioned recipient comes back into compliance. For example, the TDHS region in El Paso requires an administrative hearing, attended by the Choices case manager, the participant, and a representative from Texas Works, before an imposed sanction may be removed.

Exemptions. Exemptions from work requirements and state time limits are allowed for five reasons: (1) "economic hardship," based on the local unemployment rate; (2) "personal hardship," based on the caretaker's health or a family crisis; (3) transportation difficulties; (4) lack of available child care; and (5) the age of the youngest child. Under its waiver, Texas permitted all those with a youngest child under age 4 an exemption from both the time limit and work requirements—a relatively high age for the exemption. Enabling legislation passed in the 1999 session lowers the age on a phased-in basis; by September 1, 2001, the exemption will apply only to those with a youngest child under age 1.

Local Choices Program Focus. There is little variation in how eligibility for TANF, FSP, and Medicaid is determined among the TDHS offices visited in El Paso and Houston, and practices are by and large uniform across the state. However, a few regions have taken the initiative to restructure pieces of eligibility determination. For example, Houston is one of three TDHS regions (along with San Antonio and Beaumont) that have implemented regional call centers to handle certain changes in FSP and TANF eligibility via telephone. The Houston call center handles changes in employment status, unearned income, household composition, and other factors between certification periods so that recipients do not have to travel to local offices. Recipients must still see eligibility workers at local offices in person every few months for regular recertification of eligibility. The call centers in all three regions have been credited with reducing payment error rates, increasing efficiency in handling changes, and improving recipients' access to report changes. In addition, Houston's call center processes TANF sanctions centrally, which further reduces the paperwork burden on local office caseworkers.

Otherwise, most variations in the day-to-day operations of the Texas Works field offices predate welfare reform. However, the systems for child care and workforce development (including Choices employment for TANF recipients) have changed considerably with the devolution to local workforce boards. These changes are discussed later in this update.

TANF and Workforce Development Structure/Organization

The Texas Works division of TDHS administers the eligibility system for the TANF, FSP, and Medicaid programs, including application processing, eligibility determination, and provision of benefits (table 3). Texas operates a highly state-controlled, automated, and standardized eligibility system, which is organized into 11 regions and more than 400 local intake offices. Texas Works staff at the regional level and below generally have little input into formulating, developing, or determining policy and procedures. The organization of local Texas Works eligibility offices varies only slightly in function and appearance from one end of the state to the other. Similarly, child welfare services are state-administered by the Texas Department of Protective and Regulatory Services (TDPRS), though local gov-

TABLE 3. Administration of Income Support and Social Services in Texas

Federal/State Program Name	Which Agency Administers at State Level in Texas	How Program Is Administered at the Local Level
Temporary Assistance for Needy Families (TANF), Food Stamps, Medicaid, SCHIP eligibility/Texas Works	Texas Department of Human Services (TDHS)	TDHS regions/field offices
TANF employment/Choices	Texas Workforce Commission (TWC)	Local Workforce Development Boards (LWDBs), contracts with one-stop career centers
Workforce Investment Act	(TWC)	LWDBs, contracts with one-stop career centers
Child Care Development Block Grant/Child Care Management System (CCMS)	(TWC)	LWDBs/CCMS and resource and referral agencies
Child Welfare	Texas Department of Protective and Regulatory Services (TDPRS)	TDPRS districts/local offices

ernments in some metropolitan areas also put staff and money into child welfare programs. For example, the Harris County government provides additional resources in the Houston metropolitan area.

In response to declining average caseloads,[12] the Texas legislature reduced Texas Works eligibility staff levels by about 900 full-time-equivalent positions statewide in 1999, with the Houston region losing nearly a quarter of its staff. This forced several office closures and reductions in force across the region. El Paso had a smaller caseload reduction, and was able to weather its relatively small staff cuts with few layoffs. El Paso's caseload reductions and staffing cuts were lighter than average for the state, as a result of relatively higher unemployment and poverty rates in the region. On the other hand, compared with statewide staffing reductions that averaged around 10 percent in 1999, Houston suffered dramatic cuts.

By the time these staffing reductions were set in motion, eligibility workers already had higher workloads. Despite drops in caseload per worker from 1997 to 1999, workload per case increased substantially because of complex welfare reform regulations, the increased data entry and retrieval demands of new automated systems, and increased emphasis on verifying information related to eligibility and benefits. By 2000, the average TANF eligibility interview lasted 90 minutes, up from 50 minutes only three years before. During the interview, the Texas Works worker first must explain to the client all aspects of what the program requires the client to do, as laid out in the Personal Responsibility Agreement. Then the worker must enter all information into the state's eligibility database, and verify income and assets using a combination of other online databases. Thus, the 1999 staffing cuts were felt acutely, according to supervisors and eligibility workers interviewed.

The Texas Workforce Commission (TWC) now handles state administration of Choices, Food Stamps Employment and Training, the federal Workforce Investment Act of 2000, employment service, and child care programs (table 3), as well as some smaller employment and training programs. Funding for all of these programs passes through TWC to 28 LWDBs, which in turn contract out services to local one-stop career centers. TWC staff in the state office write many of the Choices policies and procedures on workforce orientations, job search requirements, job club content, sanctions, countable work activities, and exemptions, within the framework set by HB 1863. TWC staff in local offices also continued to provide TANF employment services under the Choices system in some parts of the state until 1999 and early 2000, but all Choices services are now delivered through career centers contracted to LWDBs.[13]

Local Workforce Development Program Structure. The lines for the workforce development areas were drawn to encompass whole metropolitan areas in some parts of the state, but not in others. For instance, Dallas and Fort Worth have separate LWDBs, despite their contiguous location in a single metropolitan area. In contrast, Gulf Coast Careers serves Houston and Galveston, which is the largest area in the state and includes 13 counties that are home to almost 5 million people. This workforce area now includes 29 one-stop career centers and 116 vendors for more than 1,400 employment and training contracts. Career center contractors and training provider vendors are a mix of public, private for-profit, and nonprofit entities selected through a competitive bidding process. The 63-member Gulf Coast board was certified in January 1997 and became operational in July 1998, around the same time as the majority of other boards in the state.

In terms of scale, El Paso's system is more typical of LWDBs and one-stop career centers across the state, because no other area is as large in population as Houston. El Paso's workforce area includes two one-stops—one in the city and the other in a small town 250 miles away—and several satellite centers. The 34-member El Paso LWDB was not certified by the state until late 1999. After its first foray into contracting out case management and placement responsibilities to a major for-profit company proved unsatisfactory, the board chose to retain the Job Training Partnership Act Private Industry Council as the contractor

for the area's one-stops and satellites. El Paso's board had no plans to open the system for competitive bidding until at least 2001.

Choices and Workforce Development Service Delivery and Linkages

The service delivery systems for Choices and the Workforce Investment Act of 2000 are very closely linked, because the funding for both flows from TWC at the state level through local boards to one-stop career centers where services for both programs are delivered. TANF recipients get application and eligibility determination services through TDHS eligibility intake offices, while most aspects of the TANF work program—employment, child care, and supportive services—are delivered through the one-stop system. Typically, a TANF applicant goes to a local TDHS office for an eligibility interview and then attends a one-day workforce orientation at either the TDHS office or a one-stop contractor's location. The TANF application process cannot proceed until the applicant meets this up-front orientation requirement. Once that requirement is met and eligibility is determined, mandatory work participants receive Choices services, including case management and supportive services, through one-stop career centers.

Most Choices participants must follow a rigid set of activities established by the state's Work First model. Recipients must attend an employment planning session at which they are assessed and given supportive services by career center staff. Following the planning session, recipients generally participate in four to six weeks of job club and job search. After the initial job search period, job placement staff and case managers meet with participants who were unsuccessful in their job search. At this stage, the participant may be referred to education and training, or back to additional job search.

Although no two career centers look alike, HB 1863 mandates that all provide a similar menu of services, including Choices, WIA employment, welfare-to-work, job service, child care, and other supportive services such as transportation. During summer 2000, staff were still moving into some career center locations, while others had most of these services up and running.

Local Service Delivery and Linkages. Houston-Galveston's LWDB requires each contractor to provide the full menu of services, with a few important exceptions, for Choices as well as WIA participants at their one-stop facilities. The primary exceptions are (1) standard services funded under the Wagner-Peyser Act for job service and labor exchange, which federal regulations still require TWC to provide and (2) child care eligibility and referrals (for both TANF and low-income working families), which are handled by separate contractors colocated at one-stops. The one-stops also provide access to some other non-TANF, non-WIA employment and training programs, such as Reintegration of Offenders and Trade Adjustment Assistance, which are typically administered by TWC staff colocated at the one-stops. In some Houston-area career centers, the same staff provide eligibility, case management, and job placement services to Choices, Welfare-to-Work, and WIA participants together. Money from Welfare-to-Work grants is used as a supplement to Choices funding to support additional placement staff and services such as pre- and postemployment supportive services not covered by Choices. In this sense, these programs are nearly fully integrated in some locations. Houston's model for workforce integration at the career centers closely approximates the vision of state planners and the legislature as expressed in HB 1863. This study did not ascertain to what degree other workforce areas resemble either Houston or El Paso.

In El Paso, staff hired by the contractor and housed at the central one-stop deliver WIA services. Choices services, however, are still delivered by separate units composed of staff merged from TWC about one year before the site interviews but still mostly housed in a location separate from the central career center. Welfare-to-Work grant services are delivered by yet a third unit, composed of newly hired staff. Because they report to different supervisors, staff are considered colocated rather than integrated. El Paso's central one-

stop, however, is in the midst of a major reorganization, and plans were under way to fully integrate Choices and WIA services by early 2001. This integration has proceeded slowly, as has the evolution of the LWDB. As a result, there has been considerable staff turnover and uncertainty about organization and contracting of services.

In the context of this uncertainty, many Choices participants in El Paso have remained in job search and job readiness classes for months. Referrals for either adult education or training are rare because case management that would facilitate such referrals is not well developed. When referrals are made, Choices participants are most often placed in adult education, along with classes in English as a second language (because such classes do not count as a separate work activity). Many participants in Choices, WIA programs, and Trade Adjustment Assistance do not have the basic skills, English ability, or education level to qualify for vocational training courses. Welfare-to-Work funding has helped somewhat by paying for customized training and subsidized employment for a limited number of Choices participants. Nonetheless, the relatively weak economy in the El Paso area has made job placement and training difficult and time-consuming for career center workers.

Program Innovations and Challenges

The devolution of workforce development programs to the local level and development of a one-stop career center system are fairly far along in Texas, thanks to the 1995 state legislation. By spring 2000, many career centers across the state already operated as envisioned under the Workforce Investment Act. Although merging WIA programs and Choices has not always been a smooth process for career center contractors, the merger should be complete across most of the state within a year or two.

According to the rationale that motivated HB 1863, workforce development programs were merged and devolved to the local level in order to make them more responsive to local labor market demands and conditions. Texas chose an industry-driven approach to workforce development, emphasizing improvements in the state's competitive economic position in lieu of the former programmatic, service-population approach. Choices was merged into the devolved workforce system with the objective of integrating TANF participants into the workforce rather than treating them as a separate service population. This objective may not have been fully realized, however, because Choices participants are still welfare-stigmatized. Although training may be offered to other participants, Choices clients are offered only the work-first approach.

The administrative split between TANF eligibility and employment-related services has led to coordination challenges and problems. For example, TDHS and one-stop staff interviewed for this study reported difficulties exchanging information that was necessary to process and enforce sanctions, monitor participation, and apply exemptions. Communication is further complicated by the fact that TDHS and one-stop staff work in separate locations and use different databases to track participants.

Texas has made strides in the use of automation to enhance antifraud and eligibility verification initiatives. Texas piloted the Lone Star Image System, a database of the fingerprints of all applicants for benefits, in two counties in the San Antonio region in 1996 and has since expanded it statewide. The fingerprints are tagged to the recipient's identification number, which is tracked through the state's eligibility database system.

TDHS is continuing to upgrade its automated systems, enhance quality control, and improve customer service as part of the Texas Integrated Eligibility Redesign System (TIERS) project. TIERS is a scaled-back version of the Texas Integrated Enrollment and Services (TIES) project, which would have integrated and streamlined eligibility for a number of different health and human services programs, including TANF, FSP, and Medicaid. As originally conceived by the Texas legislature, TIES would have allowed contracting of eligibility services for all of these programs. In 1997, the Clinton administration ruled that workers determining FSP eligibility must be state employees, so TIES was scaled back to include improvement of automation and service integration, but TDHS continued to provide eligibility services through its local field offices. By 2000, TIES had been

limited to three major components: (1) a data broker system to provide credit checks on benefits applicants; (2) pilot call-in centers to take changes in cases involving TANF, food stamps, and Medicaid between reviews; and (3) an upgrade of hardware and software to handle eligibility for TANF, food stamps, and Medicaid, along with links to other benefits and services.

Texas also enhanced its FSP quality control procedures starting in 1996, in response to high payment error rates. Many TDHS regions require more frequent recertification, along with more detailed verification of income, expenses, and assets. (Frequency of food stamps recertification is one area where regional directors have discretion to set policy.) Now, TANF, FSP, and Medicaid eligibility workers must request a credit history from the data broker (the automated system used for credit checks) before the initial intake interview. Quality control initiatives have been successful in reducing the share of benefits given to ineligible applicants. In 1999, Texas received $19 million in enhanced funds from the U.S. Department of Agriculture for lowering the state's error rate, and each TDHS employee received a $72 bonus out of this enhancement. In 2000, Texas received a $27 million enhancement. However, although these measures have been successful in reducing the types of error of concern to the FSP, they have resulted in additional barriers for clients, particularly those in working families, and have played a role in declining participation in the FSP.

These automation and quality control initiatives have had costs as well as benefits, however. Increasingly complex welfare reform rules, emphasis on verification via forms and databases, and communication problems between TDHS and one-stop contractor staff have all had negative effects on applicants for benefits as well as recipients. However, due to communications problems between TDHS eligibility workers and Choices case managers, some sanctioned recipients have had difficulty getting benefits restored after they established "good cause" for failure to attend an orientation (e.g., because a child was sick). In other cases, burdensome income and assets verification requirements have resulted in improper denials of food stamp benefits. Gulf Coast Legal Services sued TDHS on behalf of some who lost food stamps in such cases. The suit was settled with a consent decree ordering TDHS to reduce the number of recipients on one- and two-month recertification periods and rewrite their regional guidelines for setting shortened certification periods. Privacy concerns related to TDHS staff access to applicants' credit records, the fingerprinting requirement, and language barriers may also deter individuals from applying for benefits.

The TANF and workforce development systems in Texas face varying challenges related to uneven economic conditions and caseload characteristics across the state. Texas, like the rest of the country, experienced tremendous job growth and declining unemployment between 1997 and 2000. The most prosperous areas during this period were the major cities in the interior of the state: Austin, Dallas, Houston, and San Antonio. El Paso and other border metropolitan areas, by contrast, had very weak economies with little job growth during the late 1990s; their unemployment rates did not drop below 10 percent until late 1999.

In Houston, where the economy has been relatively good, finding jobs for Choices participants has been fairly easy, according to job placement staff interviewed at the one-stops. At the same time, the growing diversity of the TANF population (including large numbers of speakers of Spanish, Vietnamese, and other languages) is creating new challenges in determining eligibility, providing services, and placing participants. Houston-area employers have taken advantage of subsidized employment and on-the-job training programs for both Choices and WIA clients, in addition to regular employment. Some Gulf Coast Career Centers already serve large numbers of job-seekers through WIA and employment service programs, and these centers place quite a few TANF recipients. Other contractors in Houston, however, are just getting started in the business and have yet to serve many Choices participants.

In El Paso, by contrast, the higher unemployment rate and relatively difficult-to-serve population have hindered job placement. Common caseload characteristics complicating placement include recent immigration, low education levels, limited English proficiency, and residence in remote rural areas. In Texas counties where unemployment exceeded 10 percent, Choices participants received six-month extensions of TANF benefits (on grounds of "economic hardship"), so most recipients in these counties did not reach the end of their state time limits until 2000. Recipients in El Paso and other counties bordering Mexico were eligible for these extensions until early 2000, when unemployment in those areas fell below 10 percent. In addition, some parts of El Paso County were more than an hour away by public transportation from Choices service locations, and recipients living in those areas were exempted until new bus lines were added in September 1999. As a result of economic hardship extensions and transportation exemptions, a large share of the recipients who make up the El Paso caseload were only beginning to feel the impact of welfare reform changes in the spring of 2000. This has also meant relatively slow development of and low participation in the Choices program.

Child Care

As welfare programs have shifted dramatically toward requiring every recipient to work or engage in activities leading to work, child care is now a cornerstone of state efforts to support these activities. People leaving TANF because they have found employment, usually referred to as transitional (for the period of transition off of welfare), often also need child care to make their transition a success. Though PRWORA eliminated the requirement that states provide child care assistance to these families—by eliminating any entitlement to child care for them—most states continue to give these families a high priority for child care subsidies. This study examined the ways in which TANF and post-TANF families gain access to child care subsidies. It did the same for nonwelfare working families, because they also need child care but often cannot afford it, and many of the states in this study find themselves in the situation of having to make choices between providing subsidies to TANF clients or to nonwelfare working families.

Child Care Eligibility and Assistance

Eligibility for subsidized child care depends on a family's income. Until September 1, 1999, households with incomes up to the lower of 150 percent of FPL or 75 percent of the state median income (SMI) were eligible for child care subsidies in Texas. Because 75 percent of SMI was considerably higher than 150 percent of FPL, this effectively meant that 150 percent of FPL was the eligibility cutoff.

In September 1999, after LWDBs were up and running, they were allowed to set their own eligibility levels for child care subsidies, as long as these levels did not exceed 85 percent of SMI, the limit required by federal and state regulations. In Texas in 1999, 85 percent of SMI was $2,773 per month or 240 percent of FPL for a family of three. Six of the 28 LWDBs (including those in the Upper Rio Grande region where El Paso is located) increased their eligibility to the new ceiling, though there may be some variability depending on whether the 1998 or 1999 SMI was used as the basis. Most major metropolitan areas (including Houston, Dallas, and San Antonio) retained eligibility cutoffs at 150 percent of FPL. In areas where eligibility is set at 150 percent of FPL, a family of three would need a monthly income below $1,735 (or 53 percent of 1999 SMI) in order to qualify for subsidies. LWDBs may set different initial and exit eligibility levels as long as these levels are below 85 percent of SMI.

Texas gives priority for subsidies to Choices, transitional, and protective service families. Beyond that, the LWDBs determine the priorities for subsidies. Families in Texas may face difficulties with child care as they leave welfare. Respondents noted during site visits that some parents may not know they are eligible for child care subsidies for 12 months after they leave welfare. This transitional period is extended to 18 months for parents who

voluntarily participate in Choices and find a job while on welfare. At the end of the transition period, families may also face a break in their child care subsidies because there is no guarantee that child care assistance will be continued. If there is a waiting list for low-income child care, they are placed on the list.

As of October 1999, Texas had a waiting list of 26,642 children, most of whom were in nonwelfare families. The waiting lists are generally first come, first served (i.e., without priorities), though this varies by local area. At the time of the site visits, some Houston families at the end of their transitional period had begun to be put on special waiting lists. These families have priority over the families on the regular waiting list for the next available child care slot, but they are not guaranteed a smooth transition without disruptions in care.

Administrative Structure and Funding

HB 1863 shifted state administration of the child care subsidy program from TDHS to TWC, and devolved program administration and contracting to the LWDBs, in much the same manner as for Choices and Food Stamps Employment and Training. TWC provides statewide guidelines for child care policies, but the LWDBs set their own policies within these guidelines, on parent fees, reimbursement rates, income cutoffs, and priorities. At least one member of each LWDB is required to have expertise in child care and early childhood education.

The LWDBs contract with local agencies to administer child care. Before the creation of the LWDBs, the state had contracted with agencies to provide Child Care Management Services (CCMS). Many of these original contracts with CCMS agencies were handed over to the LWDBs when they took control. CCMS agencies are the service providers that interact with families needing child care assistance. Specifically, CCMS agencies are responsible for determining eligibility for parents, offering ongoing case management, establishing contracts with providers, monitoring and evaluating child care programs, and authorizing and issuing payments for providers. The LWDBs may also contract with resource and referral agencies that help connect parents with specific providers. In some cases (e.g., El Paso), the resource and referral services and CCMS are operated by the same agency.

Respondents noted that since welfare reform, Texas has allocated more money for child care, though between FYs 1998 and 1999 there was only a slight increase in funding. In FY 1999, approximately $327 million in state and federal funds were allocated to the child care subsidy program, a slight increase from the 1998 total of $321 million.[14] Texas uses some transferred TANF money for the child care subsidy program. These funds are used for either Choices or transitional families.

Even with these increases in funding, only a small proportion of Texas children eligible for federal Child Care Development Funds receive them. A 1999 report by the U.S. Department of Health and Human Services found that in Texas, only 7 percent of eligible children received subsidized child care in FY 1998.[15] The percentage increased slightly to 8 percent in FY 1999.[16]

Child Care Fees and Reimbursement Rates

Nonwelfare families are required to make a copayment to the child care provider; Choices families are not. Parent fees are set by the LWDB, so they vary by region. In El Paso, for instance, the copayment is 9 percent of gross monthly income for families with three or fewer children, and 10 percent for families with four or more children.

LWDBs began setting their own rates for paying providers in September 1999, as allowed by the state child care plan. Before that, the rates were set at the 75th percentile of the 1998 market rate[17] though the rates had increased statewide for some groups in 1999. Now that the authority to set the rates has been transferred to the LWDBs, there is not much centralized information about rate increases. The Houston LWDB did raise rates in April 2000.

Parents may choose between two types of child care: contracted providers and self-arranged care. Contracted providers have contracts with CCMS to provide care for subsidized children. To have a contract with CCMS, providers must be licensed or registered and have liability insurance. Self-arranged providers are licensed or legally unlicensed providers (such as relatives) and do not have contracts with CCMS. Self-arranged providers receive a lower reimbursement rate and are not required to carry liability insurance.

Payment procedures for self-arranged care changed recently. Previously, CCMS paid parents who used self-arranged care, and the parents were responsible for paying the provider themselves. At the time of the site visits, however, self-arranged care providers were reimbursed directly by CCMS after care was given. Contracted child care providers are also reimbursed directly by CCMS. Both types of providers receive a check 10 days after they submit a bill.

The change in the payment process for self-arranged care is an attempt to minimize fraud, though the effect of this change was unclear at the time of the site visits. On the one hand, some respondents thought that this would result in lower use of self-arranged care because parents might not always have been paying the provider. On the other hand, the change might also result in greater access to self-arranged care because more providers would be willing to participate if their payment were guaranteed.

Other Early Childhood Education Programs

Texas has a state-funded Public School Prekindergarten program serving educationally disadvantaged, homeless, and non–English-speaking children, but the program is not offered in all 1,042 Texas school districts. Only districts with at least 15 eligible 4-year-olds are required to offer this program, which in FY 1998–99 received a state allocation of $235 million.[18]

Program Innovations and Challenges

There is a statewide need for more infant care and odd-hour care. LWDBs have the power to establish a differential rate for odd-hour care, but it is not clear how many have chosen to do so.

Respondents were also concerned about the quality of care available for families. Contracted providers are rated by LWDBs, and those that voluntarily meet a set of quality standards are considered Designated Vendors. In response to concern about availability of quality programs, the 1999 state legislature mandated a minimum 5 percent higher reimbursement rate for Designated Vendors. Some respondents indicated concerns about the consistency of the state's ratings, both among different LWDBs within the state and between the state's rating system and national rating systems such as accreditation by the National Association for the Education of Young Children. Since the site visits, state staff are reported to be addressing these concerns through increased technical assistance and training.

In summary, the devolution of child care subsidy responsibilities to LWDBs has given them more flexibility in setting key policies such as income cutoffs, parent fees, and reimbursement rates. As a result, policies and practices now vary across regions of the state, and they are much more dependent on local priorities and decisionmaking. Some respondents were concerned about the quality of policy decisions made by LWDBs because of variations in their members' expertise on child care issues.

Child Welfare

Child welfare agencies seek to protect children from abuse and neglect. They may intervene in families in which such behavior is suspected; they may offer services to such families or require that families complete service programs; and they may remove children from their home and place them in state-supervised care if the children face imminent or ongoing risk of abuse or neglect in the home. Nationally, many policymakers, researchers,

and advocates have expressed concern that families that did not fare well under the new welfare requirements might be referred to child welfare agencies for child abuse or neglect. Thus far, however, welfare reform does not appear to have had a significant impact on child welfare caseloads in Texas. Welfare reform has altered child welfare financing, because Texas allocated a significant amount of TANF funds for child welfare services. Welfare reform did not affect the level of collaboration between the child welfare and welfare staff around families served by both systems.

In Texas, child welfare services are state-administered by the Texas Department of Protective and Regulatory Services (TDPRS), with services delivered through more than 275 local TDPRS agencies in 11 districts. TDPRS was created in 1993 to bring together all child protective services, adult protective services, and licensing and regulation of child care providers. No significant changes in TDPRS responsibilities have occurred since then. This means that most budget, policy, and personnel decisions are made at the state level. However, some local governments in Texas (for instance, Harris County, where Houston is located) contribute local funds to the provision of child welfare services and decide how these funds are spent.

In Texas, the child welfare agency had minimal involvement in discussions surrounding welfare reform. Welfare reform did not lead to any new child welfare policies, responsibilities, or services, or significantly change the relationship between the child welfare and welfare agencies. Involvement with TDPRS, however, may affect a family's status with regard to TANF and the Choices program. Families involved with the child welfare agency are not automatically exempted from Choices participation, but they may receive a three-month "good cause" exemption.

Child Welfare Caseloads

Despite widespread concerns in the state, thus far welfare reform has not had a significant impact on child welfare caseloads. In 1998, Texas investigated allegations of abuse and neglect involving 172,718 children, a 14 percent increase since 1996. In 1998, 23 percent of children investigated were found to be victims of maltreatment, a decrease from 35 percent in 1996, and lower than the national median of 30 percent. Thus, increased reporting did not result in increased substantiation of abuse and neglect. However, some respondents noted that this stability may be a result of the system's lack of resources to investigate and serve the higher number of families reported to the system. In other words, increased reporting may not be a good indicator of whether the actual number of children abused or neglected children has risen or remained the same (see "Other Key Changes Affecting Child Welfare," below).

Texas's victimization rate of 7.1 victims of maltreatment per 1,000 children is lower than the national median of 11.5.[19] In 1999, 11,793 children in Texas were in foster care, a decrease of less than 1 percent since 1996. However, the numbers of children removed from their home increased by 29 percent between 1997[20] and 1999.

Respondents did not attribute the increase in reports to welfare reform. TDPRS instituted a statewide centralized intake system beginning in 1996.[21] A central hotline in Austin handles all calls involving reports of child abuse and neglect, whereas previously, all reports of child abuse and neglect were made to local agencies. Respondents believed that centralized intake had increased consistency and, because the state prefers to err on the side of safety, more reports that previously might have been considered inappropriate are fully investigated, and more cases are rated high on the risk scale.

Although respondents at the state level and in Houston believed that welfare reform had had no impact on child welfare families, supervisors and caseworkers in El Paso reported that welfare reform had affected their clients who are legal immigrants. These families no longer receive benefits, and the loss of health care has had a particularly hard impact on them. Workers in El Paso believed that there were more cases of medical and physical neglect as a result of welfare reform.

Financing

Although welfare reform is known for the block granting of federal income assistance, PRWORA also altered federal funding streams that many states have used to pay for child welfare services. The Emergency Assistance program was eliminated and its funds rolled into the TANF block grant. The Social Services Block Grant was cut by 15 percent, and eligibility for Supplemental Security Income was defined more narrowly.[22]

In 1998, Texas spent $479 million on child welfare services, an increase of 1 percent over 1996 (not adjusting for inflation).[23] However, the 1999 legislature granted TDPRS an emergency appropriation for FY 1999 and increased its regular appropriation for FY 2000 by more than $100 million from 1999. Interviewees attributed these increases primarily to a judge's petition to the governor and the state legislature.[24] The petition argued that the child welfare system lacked the necessary resources to protect children adequately, and sought greater state funding for child welfare. Interviewees also cited a rise in child deaths and greater awareness of child welfare as reasons for the increase in funding.

The increased funding for child welfare has come mostly from federal sources, primarily TANF. In FY 1997, TDPRS spent $10.1 million from the TANF block grant on foster care and adoption payments. In FY 2001, TDPRS plans to use $64 million in TANF funds for foster care and adoption. As a result, the proportion of foster care and adoption payments made using TANF funds would increase from 5 percent in 1997 to 21 percent in 2001.[25] In the budget approved by legislators in 1999, payments for foster care and adoption represent 17 percent of the TANF spending plan for the 2000–01 biennium, second in proportion only to TANF grants.[26] Thus, the large TANF windfall—reaped by reducing the rolls through welfare reform—freed up substantial extra funding for child welfare in Texas. It is important to note, though, that while large increases in TANF funding did increase the total amount of funds allocated for child welfare services, a significant portion of these TANF funds supplanted state funding for child welfare.

Collaboration between TANF and Child Welfare Agencies

Many families receiving services from child welfare agencies also receive welfare assistance. These dual-system families may face competing demands. They must meet the new requirements imposed on welfare recipients in order to receive cash assistance, and at the same time they must meet case plan goals developed by child welfare agencies in order to keep their children or have their children returned to them. Despite the overlap in populations, historically there has been little formal collaboration between child welfare and welfare agencies.

Most child welfare supervisors and workers interviewed in Houston and El Paso reported that they had not received training on welfare reform and had learned about it mostly from the media. Phone interviews with child welfare staff in five randomly selected counties revealed that workers in other counties had received minimal training on welfare reform.[27] Child welfare workers in El Paso reported that they sometimes work together with their counterparts in the welfare agency; workers in Houston reported that collaboration is very rare because they generally do not have time to speak with their clients' welfare workers.

Other Key Changes Affecting Child Welfare

As mentioned above, in October 1998 a state district court judge sent a petition to the governor and the state legislature, seeking increased funding for child welfare. The petition was supportive of the agency but identified several areas of concern within the child welfare delivery system stemming from a lack of resources. It asserted that because of this lack of capacity, the agency did not investigate enough reports of abuse and neglect, did not confirm enough cases following investigation, and did not remove enough children experiencing abuse or neglect. The petition proposed that additional funds from the state's

budget surplus be appropriated to child protective services and to programs aimed at preventing child abuse and neglect.

In addition to the judge's petition, an increase in child deaths raised public awareness of child abuse, which ultimately led to increased funding. In FY 1998, 176 children in Texas died from abuse or neglect, up 71 percent from 103 deaths in FY 1997.[28] TDPRS released a report examining the deaths, which documented a need for increased emphasis on safety and greater scrutiny of high-risk cases, as well as a need for additional workers, reduced worker turnover, and improved training.

Conclusions

Texas continues to be a low-benefit state, with the highest rate of children without health insurance and nearly the lowest TANF and Medicaid benefit, eligibility, and coverage levels among the 13 focal states in the *Assessing the New Federalism* project. Since 1997, no major state programs or benefits have been added to compensate for groups cut off by federal welfare reform or to help with the transition to work for welfare families. The one exception was a limited state food stamp replacement program for immigrants, made mostly redundant by the 1998 federal FSP restorations to immigrants.

Texas is ahead, however, in implementing provisions of the Workforce Investment Act. In 1995, state legislation started a process of consolidating welfare employment and most other workforce and child care programs, including the work component of welfare, at the state level under a new agency, the Texas Workforce Commission. The 1995 statute devolved operation of these programs to local workforce development boards, which contract with one-stop career centers for service delivery. Although ahead in devolving these programs to local actors, Texas retains a highly centralized state-administered system for determining TANF, FSP, and Medicaid eligibility. Career centers governed by local workforce development boards deliver services, but state agency field offices determine welfare eligibility. This administrative split forces applicants and recipients to go to different locations for eligibility and services, despite the one-stop emphasis. The split also causes numerous communication problems between state eligibility staff and one-stop case managers, especially with respect to tracking participation, determining exemptions, and imposing and lifting sanctions.

Child care coverage in Texas has increased since 1997, with higher eligibility thresholds in some regions and higher funding allocations. El Paso's workforce board has set the local eligibility threshold at 85 percent of state median income, as high as possible under state and federal regulations. Nonwelfare low-income families, however, face long waiting lists for child care in both Houston and El Paso. Some families leaving welfare have also been placed on waiting lists when their transitional child care period ends.

At the same time, the devolution of child care subsidy responsibilities to the local workforce development boards has meant that boards now have more flexibility to set key policies such as income cutoffs, parent fees, and reimbursement rates. As a result, policies and practices can now vary across regions of the state, and they are much more dependent on local priorities and decisionmaking. Although the new system retains many of the key elements of the system that existed before welfare reform, families may face different policies and practices depending on where they live.

Child welfare in Texas remains a state-administered system, housed in a separate agency from the Texas Works program, which handles TANF eligibility. Child welfare and TANF eligibility workers generally do not interact with regard to the families on both agencies' caseloads, and welfare reform has had no apparent impact on the level of their interaction.

Most respondents in this study did not believe that welfare reform had greatly affected the child welfare system in Texas. However, child welfare workers in El Paso felt that welfare reform had resulted in more cases of neglect among those legal immigrants who lost eligibility for benefits. Moreover, welfare reform did have a great impact on child welfare funding by making more money available. In 1999, the Texas legislature used a large por-

tion of the state's TANF windfall—reaped by reducing the rolls through welfare reform—to supplant state general revenue and to provide substantial new funding for child welfare in Texas.

Overall, the thorough devolution of workforce development and child care programs to local workforce development boards has given regional and local communities responsibilities and burdens to plan, administer, and deliver services. Because there are great differences across the state in local capacity and expertise, devolution appears to have created large variation in service availability, quality, and efficiency across the state. The two study sites—El Paso and Houston—are at opposite ends of the state in terms of both geography and community resources, though El Paso has set a relatively generous threshold for its child care system. The Houston workforce development board and its contractors have been very successful in implementing many elements of the workforce development and child care programs as they were envisioned by state policymakers during the first round of interviews two years earlier. But El Paso has struggled with almost all elements of devolution—from board formation to contracting procedures for career centers—and still faces formidable hurdles in implementing a successful system for providing education, training, and child care to needy individuals. The difficult economic situation in El Paso, where unemployment hovered above 10 percent well into 1999, made this struggle all the more challenging.

Localities throughout Texas are also uneven in terms of the needs of their populations. El Paso and other border communities have large low-income immigrant populations, mostly of Mexican origin. These groups present unusual challenges to devolved service delivery systems because of their very low incomes, low education levels, limited English proficiency, and general mistrust of government, especially among families with undocumented members. With relatively fewer community resources, it is difficult for areas like El Paso to meet these additional challenges, and Texas's governmental structure makes few or no provisions for equalizing resources across jurisdictions. Thus, the Texas experiment in devolution highlights both the benefits and the risks of placing responsibility for program development and management squarely on the shoulders of local communities.

Endnotes

1. Administrators from Angelina, Bee, Maverick, and Parker Counties were interviewed by telephone.

2. Zedlewksi, Sheila R., Pamela A. Holcomb, and Amy-Ellen Duke. 1998. Cash Assistance in Transition: The Story of 13 States. Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Occasional Paper No. 16, 13.

3. Center for Public Policy Priorities. "Recent Changes in Texas Rankings." http://www.cppp.org/products/fast-facts/changes.html. [accessed November 2000]

4. U.S. Department of Health and Human Services, Administration for Children and Families. 2000. *Third Annual Report to Congress*. Washington, D.C.: U.S. Government Printing Office, August, 244-245.

5. Center for Public Policy Priorities. 1999. "TANF Spending in 2000-01: Notable Improvements and Missed Opportunities." *Policy Page* 95. Austin: Center for Public Policy Priorities, September 3.

6. National TANF caseload data were obtained from U.S. Department of Health and Human Services, Administration for Children and Families, http://www.acf.dhhs.gov/news/tables.htm. State and local TANF data (from the Texas Department of Human Services) were obtained from the Center for Public Policy Priorities via telephone. Food Stamps data were obtained from U.S. Department of Agriculture, Food and Nutrition Service, http://www.fns.usda.gov/pd/fsfyhh.htm. [accessed November 2000]

7. The 1999 legislature authorized a one-time $1,000 grant in addition to the cash grant for support of a dependent child. Eligible persons must be at least 50 years old; be the dependent child's grandparent; have the child living at their residence; be the child's primary caretaker; have a family income below 100 percent of the federal poverty level; and not have resources over TANF allowable limits. For more information, see Center for Public Policy Priorities. 1999. "TANF Spending in 2000-2001: Notable Improvements and Missed Opportunities." *Policy Page* 95. Austin: Center for Public Policy Priorities, September 3.

8. U.S. Department of Agriculture, Food and Nutrition Service. 2000. "Food Stamp Program: Average Monthly Participation (Persons)," November 22. http://www.fns.usda.gov/pd/fsfypart.htm.

9. Texas Senate Human Services Committee. 2000. Cited in "Public Assistance and Welfare Trends." *State Capitals Newsletters* 54(40): October 2.

10. Zedlewski, et al. 1998. Also, U.S. Department of Health and Human Services, Administration for Children and Families. 2000. *Temporary Assistance for Needy Families (TANF) Program: Third Annual Report to Congress*, August.

11. At the end of July 1999, 5,419 clients had lost benefits as a result of time limits, and by the end of September 2000, 8,939 had lost benefits. Texas Department of Human Services. "Management Information Focus Report." Austin: Texas Department of Human Services, August 1999 and October 2000.

12. Although active caseloads per eligibility worker declined, the number of applicants remained relatively steady. Texas Department of Human Services staff said in interviews that most of the eligibility workload consists of new applications rather than ongoing cases, and new applicants make the greatest demands on workers' time.

13. El Paso was the third-to-last workforce area to turn over administration of Choices to the Local Workforce Development Board and career center contractor, in spring 1999. Northeast and Lower Rio Grande were the last areas to do so, at the beginning of 2000.

14. Texas Workforce Commission. 2000. *Operating Budget for Fiscal Year 2000*. Austin: Texas Workforce Commission.

15. U.S. Department of Health and Human Services, Administration for Children and Families. 1999. "Access to Child Care for Low-Income Working Families." http://www.acf.dhhs.gov/news/press/1999/ccreport.htm. [accessed November 2000].

16. U.S. Department of Health and Human Services, Administration for Children and Families. 2000. Press release: "New Statistics Show Only Small Percentage of Eligible Families Receive Child Care Help." http://www.acf.dhhs.gov/news/ccstudy.htm. [accessed November 2000].

17. A market rate survey was conducted to determine the rates charged by child care providers in the community. The maximum rate the state would pay was set at the 75th percentile of the market rate, or sufficient to pay the rates charged by 75 percent of the providers in the community. The state then paid the amount that the provider charged private paying parents, or the maximum rate, whichever was lower.

18. Children's Defense Fund. 1999. *Seeds of Success: State Prekindergarten Initiatives*. Washington, D.C.: Children's Defense Fund.

19. Data obtained from National Child Abuse and Neglect Data System.

20. 1996 data not available.

21. In 1996, the Texas Department of Protective and Regulatory Services (TDPRS) began implementing coverage by the centralized intake system, in a progressive fashion. Every few months, an additional TDPRS region was added, until statewide coverage was complete in July 1999.

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22. For additional information about these changes, see Geen, Rob, Shelly Waters Boots, and Karen Tumlin. 1999. *The Cost of Protecting Vulnerable Children.* Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Occasional Paper No. 20.

23. Based on data provided by the state in response to the Urban Institute 1999 Child Welfare Survey.

24. Judge F. Scott McCown. 1998. "A Petition in Behalf of the Forsaken Children of Texas." Travis County, Texas: 345th District Court, October.

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Table 2 Notes

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b. Two Urban Institute calculations: (1) Average monthly number of AFDC 1996 recipient children divided by number of children in poverty 1996: U.S. Department of Health and Human Services. Administration for Children and Families. 1997. Characteristics and Financial Circumstances of AFDC Recipients FY 1996. Table 18. "Percent Distribution of AFDC Recipient Children by Age (October 1995-September 1996)"; (2) Average Monthly Number of TANF 1998 Recipient Children divided by Number of Children in Poverty 1998: U.S. Department of Health and Human Services. Administration for Children and Families. 1999. Second Annual Report to Congress August 1999. Table 9:22. "Percent Distribution of TANF Recipient Children by Age Group (October 1997-September 1998)." The numbers of children in poverty in 1996 and 1998 are Urban Institute calculations from the National Survey of America's Families II.

c. Kenney, Genevieve, Lisa Dubay, and Jennifer Haley. 2000. "Health Insurance, Access, and Health Status of Children: Findings from the National Survey of American Families." *Snapshots of America's Families II: A View of the Nation and 13 States from the National Survey of America's Families.* Washington, D.C.: The Urban Institute.

d. Based on three sources: (1) Urban Institute's TRIM [Transfer Income Model]; (2) Vernon K. Smith. 1999. "Enrollment Increases in State CHIP Programs: December 1998 to June 1999": Health Management Associates, July; (3) Urban Institute analysis of *1999 SCHIP [State Children's Health Insurance Program] Annual Report.* Rules for 1996 and 1998 are policies in place the majority of the year. Rules for 2000 represent plans approved as of January 1, 2000.

e. In 1996, the thresholds represent the state Medicaid thresholds for poverty-related eligibility or AFDC-related eligibility. Higher thresholds for separate state-financed programs (such as in New York) are not represented here.

f. In 1998, some states' thresholds represent Medicaid eligibility, and others are either Medicaid expansions or stand-alone programs enacted under the SCHIP legislation.

g. In 2000, all states covered at least some children through SCHIP; certain groups in some states are eligible only through Medicaid.

h. Data for 1998 are from January 1, 1998, compared with 1997 federal poverty level (FPL). Gina Adams, Karen Schulman, and Nancy Ebb. 1998. *Locked Doors: States Struggling to Meet the Child Care Needs of Low-Income Working Families.* Table A1. Washington, DC: Children's Defense Fund, March. Data for 1999 are from June 1999, compared with 1999 FPL. The 1999 data are calculated using state agency information and information from Helen Blank and Nicole Oxedine Poersch. 1999. *State Developments in Child Care and Early Education.* Table 1. Washington, D.C.: Children's Defense Fund. The Urban Institute calculated 1998 and 1999 U.S. median income eligibility level as a percentage of state median income (SMI) and FPL.

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This state update is a product of *Assessing the New Federalism*, a multiyear project to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, the project studies child and family well-being.

In 1996 and 1997, the Urban Institute conducted case studies in 13 states that provided a baseline for understanding changes emerging from welfare reform. This set of state updates describes changes occurring between 1996-97 and 1999-2000 based on a second set of case studies completed in 1999 and 2000. Programs covered include income support through the Temporary Assistance for Needy Families program, employment and training supports for low-income welfare and non-welfare families, child care, and child welfare. It also looks at interactions among these programs.

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